

Statement of Ernest M. Lorimer
Before
Planning and Development Committee
March 11, 2015
Regarding S.B. 1069

**AN ACT AMENDING THE CHARTER OF THE METROPOLITAN DISTRICT IN
HARTFORD COUNTY AND EXTENDING THE MATURITY DATE FOR MUNICIPAL
SEWERAGE SYSTEM BONDS.**

I am a partner at Finn Dixon & Herling LLP, of Stamford Connecticut. Thank you for the opportunity to testify regarding S.B. 1069, AN ACT AMENDING THE CHARTER OF THE METROPOLITAN DISTRICT IN HARTFORD COUNTY AND EXTENDING THE MATURITY DATE FOR MUNICIPAL SEWERAGE SYSTEM BONDS.

We serve as bond counsel to the MDC, whose charter is proposed to be amended by this bill, but I am here today to speak to the part of the bill amending the municipal sewerage systems provisions of the General Statutes. Existing law, adopted in the depths of the Great Depression, provides a mechanism for financing sewer construction by issuing bonds, including revenue bonds, with a maximum 30 year maturity. This bill would provide for a maximum 40 year maturity.

Like financing a car, it does not make sense to finance a capital project for a longer period than the useful life of the capital project. Large parts of sewerage systems have very long useful lives, so a 30 year maturity has always made intuitive sense. Sewerage infrastructure now has a useful life for accounting purposes of between 50 and 150 years, though, so a longer maturity is clearly supportable. Recently the District of Columbia water and sewer authority issued 100 year bonds.

Amortizing a capital project over a longer period results in less principal coming due in each year, so it may make the capital project more affordable. This is not necessarily the case, however, because interest is being paid over a longer period and usually at a higher rate. In addition, federal tax rules generally limit the maturity of bonds based on the useful life of the property financed. So a municipality in structuring its issue may not always find a 40 year maturity attractive. This bill would give it the flexibility to go longer than 30 years if it found it useful to do so.

Thank you for this opportunity.